

UPDATE THE NOBLE FAN PATTERN

By Daryl Guppy

Noble is moving toward the support level near \$0.27. This type of trading requires patience. The fan pattern is a long term pattern and the breakout may be slow to develop.

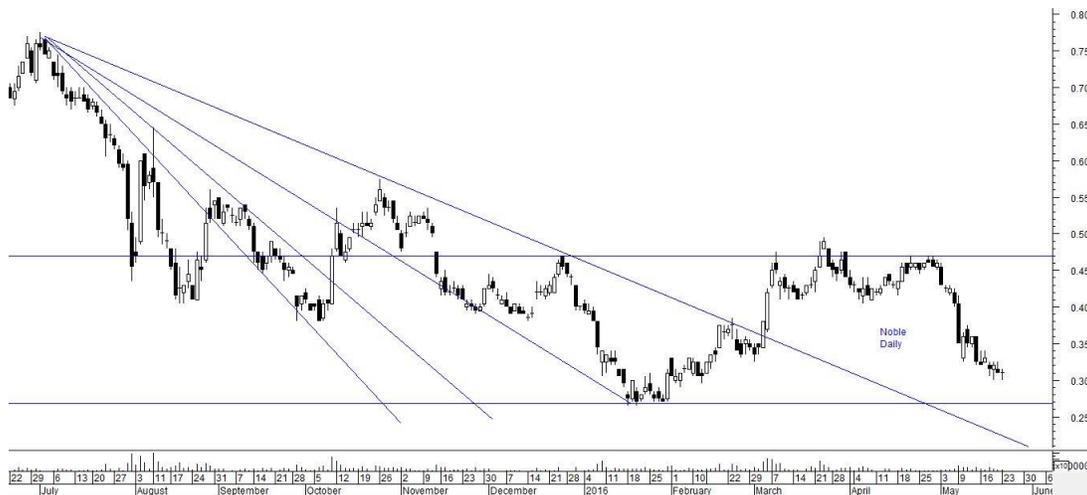
There are three types of trades in this situation. The first trade is between the support and resistance levels. That is an entry near \$0.28 as the price rebound from support. Then an exit near \$0.47 as the prices touches the resistance level. It's a simple trading band style trade with a 67% return.

The second method takes the same entry point near \$0.28 but uses a tight stop as the trade approaches the resistance level. The objective is to protect profit but also let the trade run if the price moves above the resistance level as these breakouts can be very rapid. The upside target is near \$0.65 and gives a 132% return.

The third method is to wait for the successful breakout above resistance and enter near \$0.48 with an upside target near \$0.65. This gives a 35% return.

Our preference in this trading environment is to use the second method and trade for the longer term breakout return.

The commodity complex is developing a significant turnaround as shown by the fan chart pattern. This turnaround benefits established producers and commodity trading houses like Noble.



A fan pattern develops as a trend starts to change direction. It is most commonly seen in a downtrend. The pattern occurs when prices are re-valued upwards, but the direction of the trend does not change. This appears on the chart as a shift sideways. The old resistance level acts as a new support level. The new resistance level does not run parallel to the old support level. Instead in broaden away in an expanding wedge. As price action moves horizontally in time the price uses the new resistance line as a limit area. A break above this is often decisive, making a new high before pulling back to use the old resistance level as a new support level.

Fan lines are drawn from a single starting point. They reflect a slowing of the trend, but not necessarily a trend reversal. Trades look for other signs of bottom and reversal prior to trading in anticipation of a new trend. Fan lines tell the trader the downtrend is slowing. This is not a Fibonacci fan.

The fan pattern appears on the Noble chart. The fan pattern is not as clear cut, but it is the dominant pattern on the chart.

This suggests that the breakout above the final trend line on the chart is the beginning of a new uptrend. The current pullback is a buying opportunity with a rebound from the support level near \$0.27. The immediate upside resistance is near \$0.47. A short term trade from \$0.28 to \$0.47 gives a 67% return. This return can be further magnified using a CFD or a warrant.

Stock code	NOBLE
Total investment pool money in account	100,000
Your investment risk for this trade	2,000
Average entry price	0.28
Stop loss	0.26
Cost of trade	20,000.00
Number of shares buy	71,429
Loss if sell at stop loss	1,428.57
Risk % of total investment pool money	1.43%
Planned Profit exit price	0.47
Profit	13,571.43
Trade profit %	67.86%

The fan pattern has developed a base near \$0.27 so this sets the stop loss at \$0.26. The aim in this type of trade is to enter after the rebound develops from the support level. For case study purposes this is an entry near \$0.28 with a stop loss near \$0.26. This buys 71,429 shares for a total cost of \$20,000. An exit at the stop loss puts the loss at \$1,428 or 1.4 % of total trading capital at risk.

The fan pattern is a long term trend reversal pattern so it's unrealistic to expect a sudden change in trend – although as the Dollar yen showed in 2012 November, the breakout can sometimes be very rapid.. This pattern can be seen on many of the commodity sensitive stocks so the Noble case study trade is an example of the trading strategies. .